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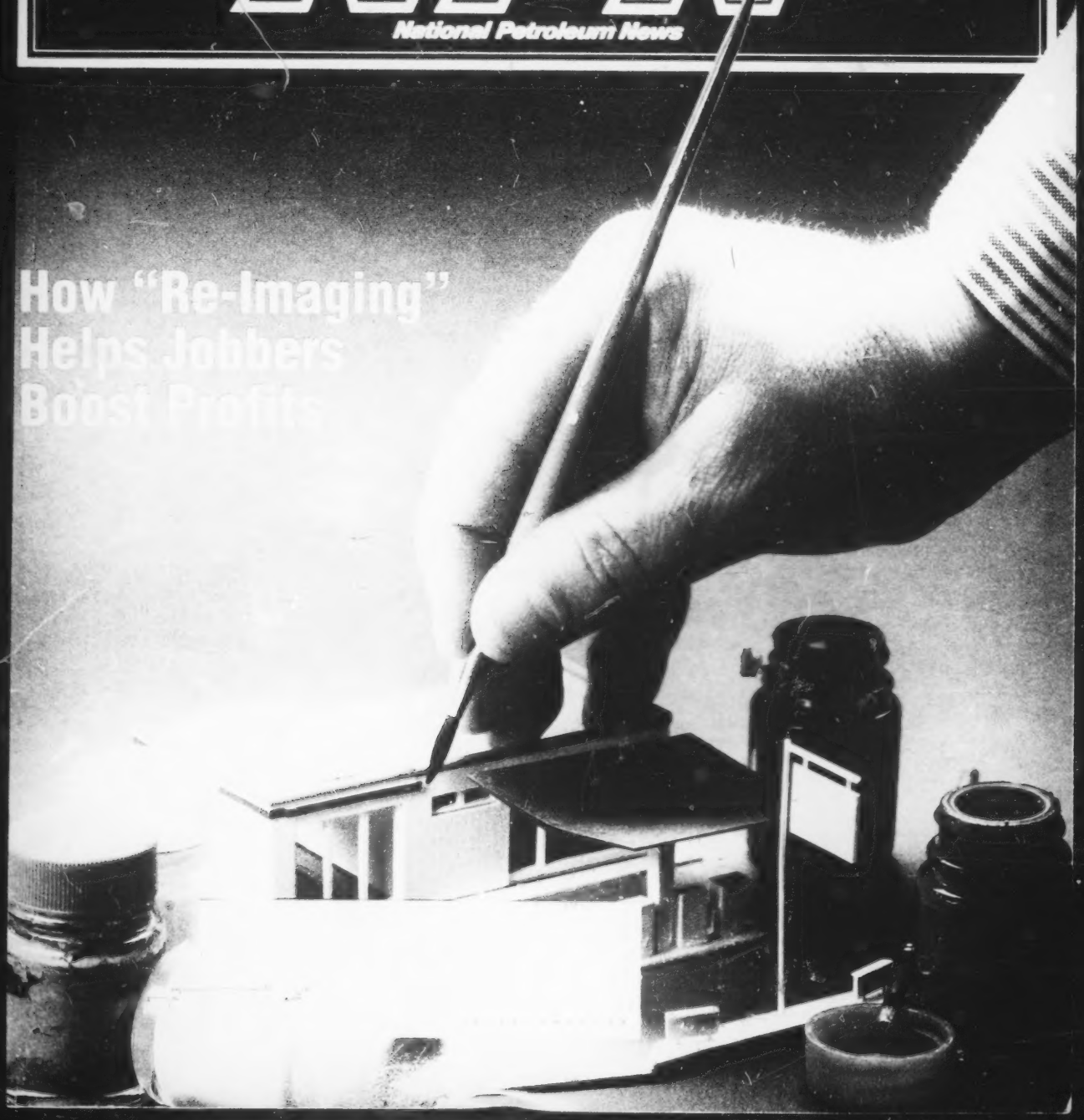
Why Orlando Faces Market Share Battle
Honolulu's PRI Eyes Pacific Rim Market
How Mobile Unit Cleans Contaminated Soil

NPN

National Petroleum News

How "Re-Imaging" Helps Jobbers Boost Profits



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Editor's Viewpoint

The environmental impact of the massive oil spill resulting from the Exxon Valdez running aground in Alaskan waters has yet to be fully determined, and probably won't be for years to come. But even at this stage, there are few people, including oilmen, who view it as anything less than a disaster.

One of the key questions now is what the reaction—or overreaction—to the incident will be. Hard-line environmentalists are already on the offensive. The spill will no doubt be linked with arguments against beginning oil exploration and production in the Arctic National Wildlife Refuge (ANWR).

The spill and ANWR are, however, unrelated issues because although they are both environmental concerns, they involve different kinds of environmental hazards and precautions. Moreover, all forms of practical energy production today involve dangers and trade offs. Development of more nuclear power has been brought to a virtual standstill because of fears, realistic or not, of potential dangers. Even if coal could be burned without emitting any contaminants into the air, its production includes also risks, both to the landscape where the mines are dug and to the miners who dig it out. Solar and other alternate energy sources are simply not yet practical on a widescale basis.

Beyond this, however, the spill needs to be put into perspective. True, just this one is serious. But it is the only accident in the 12 or so years since North Slope crude has been transported to the "lower 48," and in that time about 9,000 tanker trips have carried nearly 7-billion barrels of oil which were pumped through the pipeline and shipped out of Valdez.

Also, the danger of a tanker mishap will exist whether the crude carried comes from the newly developed oil fields in the ANWR or existing ones near it or somewhere else outside of the United States. Currently, about 45% of the oil we use is imported—by tanker—from foreign sources. You can be sure those oil imports will increase if the ANWR remains off limits as North Slope crude gradually runs down. Government estimates indicate that the ANWR can provide as much as a million barrels of crude a day. Without this, the supply end of the supply-demand equation drops substantially. Meanwhile, demand is increasing. Higher prices become inevitable. The public is already indignant (with some justification) about the sudden dramatic rise in gasoline prices which followed the Alaskan spill. But this price jump is temporary. Unless new sources of domestic crude, including those in the ANWR, are developed, prices will eventually climb higher than they are now and stay there indefinitely. And when that happens, most motorists will think marketers and their oil company suppliers are gouging them.

—Frank M. Victoria

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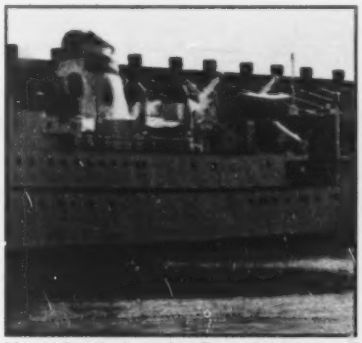
Majors and independents alike are throwing millions into the pot to upgrade their stations and build a consistent image. The price is high, but so are the rewards in terms of sales and increased market share. **Page 28**



Now that it has the financial clout of Australian powerhouse Broken Hill Proprietary Co. behind it, aggressive Honolulu-based refiner/marketer Pacific Resources, Inc., is planning some major moves into the Pacific Basin. **Page 36**

Orlando, Fla., home to the Disney fantasy world, is attracting attention and sizeable marketing investments from companies which want to hitch a ride on that booming market economy. **Page 42**

Changes In Octane Levels Are Slight, Study Says

Apparently, all was relatively quiet on the octane front between the summers of 1987 and 1988, according to a recent study released by a Bartlesville, Okla. research group.

According to the National Institute for Petroleum and Energy Research, octane values for three grades of gasoline changed only marginally from the summer of 1987 to the summer of 1988. Leaded regular octanes were down insignificantly—two tenths of a point. Unleaded regular octanes increased only by one tenth of a point, while unleaded premiums saw no change whatsoever. The tables below track average octane levels since the beginning of the decade and show regional averages for the most recent winter/summer period reported.

Gasoline Octanes, U.S. Service Stations

		Leaded Regular[a]			Unleaded Regular[b]			Unleaded Premium[c]		
				(R+M)*			(R+M)*			(R+M)*
Year	Season	Rsh.	Mtr.	2	Rsh.	Mtr.	2	Rsh.	Mtr.	2
1988	Summer	93.3	83.7	88.5	92.2	82.7	87.5	97.0	86.8	91.9
1987-88	Winter	93.1	84.2	88.7	91.9	82.9	87.4	96.7	87.0	91.9
1987	Summer	93.3	84.0	88.7	92.0	82.7	87.4	96.8	86.8	91.8
1986-87	Winter	93.1	84.2	88.7	91.7	82.7	87.2	96.7	86.9	91.8
1986	Summer	93.3	84.3	88.8	92.0	82.7	87.3	96.7	86.7	91.7
1985-86	Winter	93.0	84.5	88.8	91.8	82.8	87.3	96.8	86.9	91.8
1985	Summer	92.8	84.8	88.8	91.9	82.8	87.4	96.5	86.8	91.7
1984-85	Winter	92.8	85.2	89.1	91.8	82.9	87.4	96.4	86.8	91.6
1984	Summer	92.9	85.0	89.0	91.6	82.9	87.3	96.5	86.9	91.7
1983-84	Winter	92.7	84.9	88.8	91.7	82.9	87.3	96.1	86.6	91.3
1983	Summer	93.1	84.9	89.0	92.0	82.9	87.5	96.4	86.5	91.4
1982-83	Winter	92.9	85.2	89.1	91.7	82.9	87.3	96.3	86.7	91.5
1982	Summer	93.0	85.0	89.0	91.9	82.8	87.3	96.8	86.6	91.7
1981-82	Winter	92.7	81.1	88.9	91.8	82.9	87.4	96.6	86.8	91.7
1981	Summer	92.8	85.1	89.0	91.9	83.0	87.4	96.3	86.2	91.3
1980-81	Winter	92.8	85.4	89.1	91.9	83.3	87.6	96.1	86.5	91.4

(a) Below 93 octane. (b) Below 90 octane. (c) 90 octane and above. *Antiknock index.
Source: Motor Gasolines, Summer 1988, National Institute for Petroleum and Energy Research, Bartlesville, Okla., published March 1989

Regional Octane Averages—Summer 1988

	Leaded Regular[a]			Unleaded Regular[b]			Unleaded Premium[c]			Alcohol-blended Premium[d]		
			R+M*			R+M*			R+M*			R+M*
Regions[e]	Rsh.	Mtr.	2	Rsh.	Mtr.	2	Rsh.	Mtr.	2	Rsh.	Mtr.	2
Northeast	94.6	83.7	89.2	92.8	82.7	87.8	97.8	86.7	92.3	NS	NS	NS
Mid-Atlantic Coast	94.2	84.1	89.2	92.8	82.7	87.8	97.6	86.9	92.3	97.7	86.8	92.3
Southeast	94.0	84.1	89.1	92.3	82.5	87.4	97.3	86.8	92.1	98.2	86.5	92.4
Florida	93.9	84.5	89.2	92.9	82.9	87.9	98.4	87.4	92.9	NS	NS	NS
North Central	94.1	84.6	89.4	92.3	82.9	87.6	96.5	87.9	92.2	96.7	86.4	91.6
Ohio Valley	93.9	84.5	89.2	92.2	82.8	87.5	96.8	86.9	91.9	97.4	87.2	92.3
Central and Upper Plains	93.1	83.8	88.5	92.0	82.7	87.4	96.0	88.6	91.3	96.2	85.6	90.9
Oklahoma and East Texas	94.1	83.4	88.8	92.3	82.4	87.4	97.0	86.9	92.0	97.1	86.3	91.7
North Mountain States	92.0	82.6	87.3	90.7	82.3	86.5	95.4	86.3	90.9	96.8	86.9	91.9
Central Mountain States	91.2	82.3	86.8	91.3	82.1	86.7	NS	NS	NS	NS	NS	NS
New Mexico and West Texas	92.1	83.3	87.7	92.2	83.0	87.6	95.2	85.9	90.5	NS	NS	NS
West Southwest	92.7	83.6	88.2	92.2	82.9	87.5	97.4	86.6	92.1	96.2	85.6	90.9
Pacific Northwest	92.6	83.7	88.2	92.1	83.1	87.6	97.2	87.2	92.2	NS	NS	NS
North California and North Nevada	93.4	83.0	88.2	92.8	83.0	87.9	97.6	86.4	92.1	97.2	86.1	97.1
South California	93.0	83.6	88.3	92.4	83.0	87.7	97.4	86.0	91.7	96.4	84.3	90.4
Average												
Summer 1988	**93.3**	**83.7**	**88.5**	**92.2**	**82.7**	**87.5**	**97.0**	**86.8**	**91.9**	**97.0**	**86.2**	**91.6**
Summer 1987	**93.3**	**84.0**	**88.7**	**92.0**	**82.7**	**87.4**	**96.8**	**86.8**	**91.8**	**97.1**	**86.5**	**91.9**

(a) Below 93 octane. (b) Below 90 octane. (c) 90 octane and above. (d) 90 octane and above, blended. (e) Regions were redefined and reduced in number by the API Products Committee in 1988. *Antiknock index. NS = No samples.
Source: Motor Gasolines, Summer 1988, National Institute for Petroleum and Energy Research, Bartlesville, Okla., published March 1989

• TRENDS

Red Coat Alert: BP's Gearing Up For Combat

An article in The Wall Street Journal pretty well confirms that BP America is gearing up for a frontal attack on the nation's biggest oil companies, which have been dominating gasoline markets for decades.

Not only that, the onset of the struggle probably isn't that far off—maybe 15 to 18 months down the road in the late summer or fall of 1990.

Keep your eye on BP, especially in the acquisition market. Don't be surprised if next summer it decides to buy a Phillips or a Unocal or a Marathon or a Conoco to fatten its presence in selected marketplaces, especially the Far West, then swing out in earnest.

BP recently made a swap with Mobil for a refinery and a string of service stations in the Pacific Northwest to penetrate that area for the first time. A nice annexation farther down the coast, like Los Angeles-based Unocal, would make it a formidable player not only in California—the biggest gasoline marketplace in the U.S.—but also enhance its physical strength just about everywhere else except the Rockies and the Corn Belt.

The Wall Street Journal article wasn't based, per se, on a BP expansion program. Rather it concentrated on the political developments, such as the recent promotion of Robert Horton to a deputy chairmanship of the mother house in London and his probable elevation to the chairmanship early next year when Sir Peter Walters retires. It included an interview with Horton.

Unlike some of his predecessors, Horton is gung ho on this country as few Britishers ever have been. He genuinely likes Americans and mixes well on all levels, from the working stiffs to the executive bluebloods. Horton was the man that BP London sent here in 1986 to become CEO of Standard of Ohio in the first leg of the 100% take-over that followed in the summer of 1987.

Horton returned to BP London in December 1987 to become in-house chairman of BP America. When he becomes the boss of bosses next year, he'll be the first BP chairman/CEO to have had marketing experience in the U.S., a love affair with its citizens and a firsthand depth of knowledge. He is only 49 years of age and is alive with zest.

Horton is seen by associates as a man who believes the corporate processes over there need more Americanization and development. Corporate BP is somewhat hamstrung at the moment, having been forced to pay $4-billion to buy back a substantial hunk of the 22% share that Kuwait got hold of as an "investment." BP management believes this debt should be reduced to prudent levels in about 18 months, shortly after Horton slides into the chairman's seat. That makes for an interesting coincidence in timing and acquisition-expansion plans.

Horton told the Journal he plans to return to the U.S. every six weeks or so. The idea seems that this pattern would continue when he becomes BP chairman. If the big boss takes the time to visit a marketplace that often, isn't it logical to presume this market is going to be on the front burner and boiling hot?

Horton was said to be an admirer of John D. Rockefeller, who founded Standard Oil Co. of Ohio in the 1870s and led it to become the nation's biggest and most powerful oil company. Horton had a portrait of Rockefeller hung in the Sohio-BP boardroom in Cleveland during his tenure there. Could there be possibly be a message in that?

At the moment, BP America has about 8,000 service stations in 26 states and is the 13th largest industrial corporation in the United States with assets of $23.5-billion and 43,000 employees. BP America is now engaged in a $200-million program to unify all of its American operations behind a BP logo, a chore that will be completed by 1991. That's a pretty solid base from which to launch an assault on the gasoline front-runners. Shell, another British-Dutch subsidiary, currently is the leader of the pack. Won't it be fun when the Red Coats chase each other up and down the pike for market dominance?

—by J. Richard Shaner

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

FEBRUARY	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S.City Avg.	$0.955	$0.886	$0.926	$1.100
Regions:				
Northeast	1.015	.921	.966	1.159
North Central	.946	.904	.919	1.099
South	.954	.889	.924	1.077
West	.910	.862	.899	1.057

Source: U.S. Dept. of Labor, Bureau of Labor Statistics

STOCKS (Add 000 bbl.)

	3/31/89	4/1/88
Gasoline (Total)	232,466	229,766
Gasoline (Unleaded)*	159,385	144,337
Jet Kerosine	36,946	38,873
Distillates	95,268	91,258
Residual	40,731	41,999

**Included in gasoline total*
Source: American Petroleum Institute

Shell Takes Lead In Credit Card Sales; Amoco Has Most Cards In Circulation

Shell Oil Co., the nation's largest gasoline retailer last year in market share, was also king of the hill in terms of proprietary oil company credit card sales and total credit volume in 1988.

According to the Nilson Report, a newsletter for credit card executives in the petroleum and other industries, Shell billed out more than $3.25-billion to the company's cardholders and had a total of $3.6-billion in credit charges last year. Shell also sends out the most statements to active accounts each month (5.1-million). Amoco, however, has the most company cards in circulation—16-million to Shell's 15.3-million—and was second to Shell in total credit volume at almost $3-billion.

Overall, the 40 companies included in the report did over $21.8-billion in proprietary card sales last year, an increase of 4% over the previous tabulation. Total transactions remained steady at 1.46-billion last year as did the number of oil company proprietary cards (118-million).

Although they represent little over one fifth of the total, charges for gasoline outlet purchases have increased dramatically (up 37%) for third-party cards, the report says. Bank card volume is up 41% while volume for the Discover card jumped from $18.8-million to $256-million. Discover, of course, is one of the newer players in the plastic marketplace.

The Nilson Report is published monthly. For information, write P.O. Box 49936, Los Angeles, CA 90049.

Profile: 40 Oil Company Credit Cards in the U.S.—1988

(Add 000 in all categories)

Company	Active Accounts(a)	Total Proprietary Accounts	Proprietary Sales Volume	Bank Card Sales Volume	T&E Sales Volume	Discover Cards	Other Cards(b)	Total Credit Sales(c)
Shell*	5,100	15,300	$3,250,000	$363,000	—	$1,500	$3,000	$3,617,500
Chevron	3,600	11,500	$2,600,000	$350,000	$10,000	$2,600	—	$2,962,600
Mobil*	3,600	14,000	$2,100,000	$300,000	$80,000	—	—	$2,480,000
Amoco*	3,450	16,000	$2,418,000	$357,000	$199,000	—	$5,000	$2,979,000
Exxon*	3,200	12,100	$2,450,000	$219,000	$5,000	$7,000	—	$2,681,000
Texaco*	3,150	13,300	$2,200,000	$400,000	$200,000	$50,000	$50,000	$2,900,000
Unocal	2,100	7,000	$1,850,000	$250,000	$68,000	$19,000	—	$2,187,000
Sohio	2,000	5,000	$1,200,000	$85,000	—	$12,000	—	$1,297,000
Phillips	1,100	4,500	$900,000	$200,000	—	$25,000	—	$1,125,000
Sunoco*	950	4,700	$750,000	$115,000	$30,000	$10,000	—	$905,000
Citgo	750	3,650	$295,000	$108,000	—	$3,500	—	$406,500
Gulf	478	3,325	$280,000	$63,500	—	$4,700	—	$348,200
Conoco	353	1,800	$305,000	$65,000	—	$76,000	—	$446,000
Diamond*	352	1,250	$290,000	$52,000	$3,200	$2,500	—	$347,700
Marathon	300	1,100	$223,000	$23,500	—	$3,500	—	$250,000
Total	180	945	$155,000	$110,000	—	$9,000	—	$274,000
Fina	161	722	$106,000	$30,500	$45	$5,100	$1,000	$142,645
Ashland	120	330	$100,000	$60,000	—	$11,000	—	$171,000
Kerr McGee	114	565	$56,000	$15,000	—	$600	—	$71,600
Sinclair	84	357	$59,000	$18,000	—	$2,900	$1,000	$80,900
Crown	77	175	$42,000	$40,000	—	$1,000	$1,000	$84,000
Beacon	67	242	$45,000	$2,000	$35	$100	—	$47,135
Coastal	60	200	$35,000	$15,100	—	$1,600	—	$51,700
Tenneco	40	113	$27,000	$22,597	—	$5,016	$644	$55,257
Cenex	30	195	$21,000	$3,000	—	—	$80	$24,080
Getty	12	35	$20,000	$59,000	—	$495	—	$79,495
Tesoro	9	42	$7,000	$1,400	—	$110	—	$8,510
Emro	9	44	$23,000	$4,000	—	—	—	$27,000
Kent	6	23	$3,000	$1,000	—	—	—	$4,000
Aloha	5	23	$3,000	$1,000	—	—	—	$4,000
Sing	5	14	$4,000	$4,043	—	$60	—	$8,103
Canal	3	11	$2,000	—	—	—	—	$2,000
Gibble	3	10	$2,000	$680	—	$100	—	$2,780
MFA	2	5	$2,000	$2,800	—	$2,000	—	$6,800
Kwik Fill	2	5	$30,000	$4,000	—	—	—	$34,000
Certified	2	8	$2,000	—	—	—	—	$2,000
Illico	2	4	$1,000	$1,000	$30	$50	—	$2,080
Iowa	1	2	$2,000	$3,600	—	$25	$30	$5,655
Coast	1	1	$2,000	$1,700	—	$15	$35	$3,750
E-Z Serve	1	5	$1,000	$5,000	—	—	$3,000	$9,000
Totals (top 10)	**28,250**	**103,400**	**19,718,000**	**2,639,000**	**592,000**	**127,100**	**58,000**	**23,134,100**
Totals (top 20)	**31,142**	**117,414**	**21,317,000**	**3,174,500**	**595,245**	**245,900**	**60,000**	**25,672,645**
Grand total (40)	**31,478**	**118,599**	**21,861,000**	**3,356,420**	**595,310**	**256,471**	**64,789**	**26,133,990**

*Includes annual-fee cards. (a) Active accounts equal the number of statements mailed monthly. (b) Other cards include third-party fleet cards and government cards. (c) Total credit sales does not include $2.2-billion generated on general purpose cards at convenience stores that do not offer proprietary credit.
Source: The Nilson Report, January 1989.

Canadian Pump Prices Still More Than 50% Higher Than In United States

Canada is a land of many wonders, but low- priced gasoline is not one of them. According to the latest data available on average gasoline prices—from a January 1988 survey—Canadian motorists were shelling out 52.6¢ / gal. (calculated in U.S. currency) more at the pump than their American neighbors across the border. That's almost 56% higher than the average U.S. pump price at the time.

Approximately 73% of this price spread—about 38.4¢/gal.—was devoured by Canadian federal and provincial taxes. Those taxes, totaling 63¢/gal. (U.S.) in January 1988, devoured about 43% of the $1.47 average price of a Canadian retail gallon.

By contrast, the average sum of state and federal taxes on a U.S. gallon was 24.6¢ in January, according to the monthly Petroleum Product Market Report published by Energy, Mines and Resources (EMR) Canada. The pricing data is from Statistics Canada monthly price surveys. Prices shown in the adjacent bar chart have been converted from Canadian dollars (the January exchange rate was 1.1960) to U.S. dollars and the gallon amount is derived from the metric liter measure now commonly used in Canada (1 gal. = 3.78 liters).

The Canadian price was computed on a "major center" weighted average of regular leaded and regular and premium unleaded gasolines sold at both full service and self service stations. The U.S. price shown represents city average retail prices for all types of gasoline as published by the Dept. of Energy.

The EMR report offers a vivid illustration of some of the differences that affect Canadian and U.S. marketing. The contrast between retail postings for full service and self service gasoline is particularly striking. "For example, in Canada, the average full-serve/self-serve differential is about 1.0¢ a liter (approximately 3.2¢ a U.S. gal.)," EMR says, "while in the U.S. the differential is approximately 9¢ a liter (about 28¢) a U.S. gal.). Therefore, comparing the full-serve prices of the two countries would generally yield a smaller differential than would a comparison of self-serve prices."

The much narrower spread between full service and self service prices in Canada undoubtedly influences the higher percentage of patronage at full service pumps in that country. Slightly more than half of Canadian gasoline is sold at full service pumps versus only 20% in the U.S.

One Canadian marketer explains that the minimal full-serve/self-serve spread has helped independent marketers "find a niche in the marketplace," allowing them to offer full-service gasoline at self-service prices [*NPN*—Feb. '88, p28].

The EMR says that the larger component in Canada for refining/marketing costs and profits results from structural differences between the two markets. "Economies of scale in refining, distribution and retailing facilities favor U.S. refiners and marketers," the report explains.

Although crude costs were virtually the same for marketers in both countries in January, historically they have been higher in Canada. The differential in crude costs is the result of longer flow-through periods and the use of higher average quality crude in Canada, EMR says. Crude costs are figured as the average refinery acquisition costs lagged by 60 days in Canada and 45 days in the U.S.

The EMR's monthly reports present a wide range of pricing and tax data.